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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

Form 10-K

(Mark One)

☒ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the fiscal year ended: June 30, 2009

OR

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from to

Commission file number: 001-31825

THE FIRST MARBLEHEAD CORPORATION
(Exact name of registrant as specified in its charter)

Delaware (State or other jurisdiction of incorporation or organization)	**04-3295311** (I.R.S. Employer Identification No.)
The Prudential Tower **800 Boylston Street, 34th Floor** **Boston, Massachusetts** (Address of principal executive offices)	**02199-8157** (Zip Code)

Registrant's telephone number, including area code: **(617) 638-2000**

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PART I

Item 1. Business

We use the terms "First Marblehead," "FMC," "we," "us" and "our" in this annual report to refer to the business of The First Marblehead Corporation and its subsidiaries on a consolidated basis.

Overview

We offer outsourcing services to national and regional financial institutions and educational institutions in the United States for designing and implementing private education loan programs. These loan programs are designed to be marketed to prospective student borrowers and their families directly or through educational institutions and to generate portfolios which may be held by the originating lender or financed in the capital markets. We offer a fully integrated suite of services, including our new Monogram loan product, as well as certain services on a stand alone, fee-for-service basis. In addition, we provide administrative and other services to securitization trusts that we have facilitated and asset servicing to the third-party owner of certain securitization trusts.

Our bank subsidiary, Union Federal Savings Bank, which we refer to as Union Federal, is a federally chartered thrift that offers residential and commercial mortgage loans, and certain other banking products, and prior to fiscal 2009, offered private education loans. As a result of our ownership of Union Federal, we are a savings and loan holding company subject to regulation, supervision and examination by the U.S. Office of Thrift Supervision, or OTS.

General Developments

During fiscal 2009, we took several measures to adjust our business in response to economic conditions, including capital markets dislocations and the declining credit performance of consumer-related loans. Most significantly, we redesigned our product offerings in an effort to attract lenders back into the market for private education loans. We also added fee-for-service offerings such as portfolio management and asset servicing. Finally, we revised our fee structures, made major changes to senior management and significantly reduced our operating expenses.

Our new Monogram product offering has been designed to provide prospective lenders with flexible loan program features intended to meet their desired risk control and return objectives, while also providing borrowers with some ability to configure the terms of their private education loan to meet their financing needs. The product offering, the development of which was completed in August 2009, also incorporates refinements to our origination process, including an enhanced application interface, real-time borrower disclosures, an improved decisioning platform and robust client reporting. The success of the new product offering will be critical to growing and diversifying our revenues and client base. In lieu of a third-party guaranty, the Monogram product provides for funding and maintenance of segregated loan loss reserves by lenders, through fees paid partially or entirely by borrowers. We may contribute limited amounts to fund portfolio reserves. Union Federal is not expected to participate as a program lender during fiscal 2010 in light of regulatory constraints.

During fiscal 2009, we revised our fee structure and developed additional services designed to provide us with fee-based income for the services we render, which we believe will improve our cash flows and reduce our dependence on the credit and capital markets. In the past, we did not charge separate fees for many of our services, but generally entered into agreements with clients giving us the exclusive right to securitize the private education loans that they did not intend to hold. As a result, we have historically derived substantially all of our income from structuring securitization transactions. Securitization refers to a technique of pooling loans and selling them to a special purpose, bankruptcy remote entity, typically a trust, which issues bonds backed by those loans to investors. Private education loan asset-backed securitizations have historically been our sole source of permanent financing for our clients' private education loan programs.

We have been unable to access the securitization market since September 2007 as a result of market disruptions that began in the second quarter of fiscal 2008, accelerated during the third quarter

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of fiscal 2008 and persist, to a lesser extent, as of September 2, 2009. That inability has not only negatively affected our financial results, it has resulted in many of our former lender clients holding private education loan portfolios longer than they had expected. In addition, in April 2008, The Education Resources Institute, Inc., or TERI, voluntarily filed a petition for relief under Chapter 11 of the United States Bankruptcy Code, or Bankruptcy Code. Our lender clients have in the past had the opportunity to mitigate their credit risk through a loan repayment guaranty by TERI, which is a private, not-for-profit Massachusetts organization. We refer in this annual report to TERI's bankruptcy proceedings as the TERI Reorganization. The capital market disruptions and the TERI Reorganization have negatively affected our client relationships and challenged our business prospects. For example, JPMorgan Chase Bank, N.A., Bank of America, N.A. and RBS Citizens, N.A. elected to terminate some or all of their agreements with us, which resulted in a significant reduction in our facilitated loan volumes during fiscal 2009 compared to prior fiscal years. In addition to the absence of revenue from new securitizations, our financial results for fiscal 2009 were negatively affected by significant write-downs of the estimated fair value of our service receivables and portfolio of private education loans held for sale.

The following table presents certain financial and operating information as of and for the fiscal years ended June 30, 2009, 2008 and 2007. Substantially all of our financial results have been derived from servicing private education loans, which are considered to be in a single industry segment for financial reporting purposes. For additional information about our results of operations and financial condition, see "Management's Discussion and Analysis of Financial Condition and Results of Operations," included in Item 7 of this annual report.

	Fiscal years ended June 30,		
	2009	2008	2007
	(dollars in thousands)		
Revenues from new securitizations	$ —	$ 320,382	$ 684,080
Total revenues	$ (290,006)	$ (28,409)	$ 880,704
Net income (loss)	$ (363,020)	$ (235,076)	$ 371,331
Total assets at fiscal year end	$ 821,330	$1,200,898	$1,214,463
Approximate number of education loan applications facilitated	41,000	1,696,000	1,325,000
Approximate number of schools with loans facilitated	2,500	5,600	5,800
Principal amount of education loans facilitated:			
Approximate "make and sell" volume facilitated	$ 83,375	$4,520,034	$3,873,048
Approximate "make and hold" volume facilitated	183,211	483,966	419,480
Total volume facilitated	$ 266,586	$5,004,000	$4,292,528
Principal and accrued interest balance of education loans securitized	$ —	$2,027,079	$3,750,043
Principal balance of education loans facilitated and available to us at fiscal year end for later securitization	$1,252,667	$3,399,483	$ 831,912

We earned $320.4 million and $684.1 million in revenues from new securitizations during fiscal 2008 and 2007, respectively. These revenues were derived from securitization trusts that purchased private education loans from several lenders, including JPMorgan Chase Bank, N.A., Bank of America, N.A. and RBS Citizens, N.A.

We remain focused on preserving capital and maximizing liquidity in these challenging market conditions. During fiscal 2009, we received $132.7 million in gross proceeds from an equity financing, and we greatly reduced our annual cash expenditure requirements through reductions in headcount, reductions in marketing expenditures, consolidation of office space and other cost saving initiatives that

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began in fiscal 2008. In addition, as of March 31, 2009, we sold the trust certificate, or Trust Certificate, of NC Residuals Owners Trust, which held our residual interests in The National Collegiate Student Loan Trusts, which we refer to in this annual report as the NCSLT Trusts. The NCSLT Trusts held substantially all of the TERI-guaranteed private education loans that we had previously securitized. The sale of the Trust Certificate is expected to generate a refund for income taxes previously paid and eliminate certain of our future tax liabilities, which would have had a material negative effect on our financial condition and liquidity. As a result of this sale, we are no longer entitled to receive residual cash flows from the NCSLT Trusts, and our financial results for fiscal 2009 included a write-down of our residuals receivables of $134.5 million as a result of the transaction. We continue to have rights to additional structural advisory fees and will earn asset servicing fees from the NCSLT Trusts, as well as additional structural advisory fees and residuals from certain trusts other than the NCSLT Trusts.

In July 2009, we entered into a supervisory agreement with the OTS that requires us, among other things, to maintain Union Federal's regulatory capital ratios at specified levels. We refer to the agreement in this annual report as the Supervisory Agreement. Union Federal entered into a stipulation in July 2009 consenting to the issuance by the OTS of an order to cease and desist, which we refer to in this annual report as the Order. We are taking steps to address the matters identified by the OTS in the Supervisory Agreement and the Order and the requirements imposed on Union Federal and us by the OTS. See "Risks Relating to Regulatory Matters" in Item 1A of this annual report for additional details.

Market Opportunity

Our business is focused on private education loan programs primarily for undergraduate and graduate students in the United States. Private education loans are funded by private sector lenders and are not guaranteed by the U.S. government. They are intended to be used by borrowers who have first utilized other sources of education funding, including federally guaranteed loan programs, grants and other aid. For the 2008-2009 academic year, we believe that there was a "funding gap" in post-secondary education in the United States of over $135 billion between the costs of attendance and these other sources of education funding. We believe that enrollment in post-secondary education institutions will continue to increase over the next several years, as will costs of attendance. As a result, we also believe that responsible private education loan products will continue to be necessary for students and their families after exhausting all available federal loan programs, scholarships, grants and other government aid.

Our clients in the past have typically been lenders that desired to supplement their existing federal education loan or other consumer lending programs with a private education loan offering. In response to legislative changes that significantly reduced the profit margins of traditional non-governmental providers of federal loans, as well as proposed legislation that would eliminate the Federal Family Education Loan Program, or FFELP, many lenders have re-evaluated their business strategies related to education lending. We believe that general economic conditions, capital markets disruptions and the declining credit performance of consumer-related loans, including private education loans, have contributed to an overall reluctance by many lenders to focus on their education lending business segments. As a result, however, we believe that there is significant unmet demand for private education loans and generally less competition in addressing that demand. As market conditions for other consumer finance segments improve, we expect more lenders to focus on education lending and consider private education loans as part of an array of consumer lending products offered to their customers. One of our primary challenges is to convince national and regional lenders that they can address the market opportunity in a manner that meets their desired risk control and return objectives. A related challenge is to finance successfully through the capital markets loans generated through our Monogram product offering.